

1200 FY 1994 AVERAGE RATE COMPONENTS

Notes used

T.N. # 95-12

Supersedes T.N. # ~~93-28~~ 94-021

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Effective Date 07/02/95

1300 QUALITY OF CARE INCENTIVE

DELETED 7/1/93

7/1/95

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1400 HOSPICE CARE

1410 Introduction -- Hospice services are provided through home health agencies. The rates are described in Attachment 4.19-B Section DD.

7/30/93

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1500 FEE INCREASE

Effective July 1, 1989, the base payment rates for NF-1, NF-2 and NF-3 were increased for provisions of the 1987 and 1990 Omnibus Budget and Reconciliation Acts (OBRA). The increase in the daily rates reflect the projected cost of wage adjustments for nurse aides plus an additional amount for OBRA requirements that are considered to be covered by the historical rate setting system. The historical service considered to be part of the base rate include medical supervision, dietary consultation, social services, recreational therapy, psychosocial, pharmacy consultation, dental consultation, resident assessment, plan of care, resident personal funds, resident rights and medical records. The rate increases are as follows:

- | | | |
|----|--|--------------------|
| 1. | Increase wages for trained nurse aides | \$2.54 per day |
| 2. | Increase for general OBRA requirement | <u>.52</u> per day |
| | Total (NF-1, NF-2 and NF-3) | \$3.06 per day |

On July 1, 1990, the current base payment rates, including the OBRA amounts in the base rates, are increased by 6.4% inflation. Specific increases for OBRA are as follows:

1. Patient rates for NF-2 and NF-3 levels of care are increased by \$.03 for emergency power requirements.
2. Patient rates for NF-2 and NF-3 levels of care are increased by \$.95 for increased licensed nurse requirements.

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1600 REBASING PAYMENT RATES

1610 Rebasing Rates -- Effective for the period July 1, 1991 through June 30, 1992 the payment rates for nursing facilities are increased based on costs reported on the Facility Cost Profile (FCP). These cost data are inflated for current economic trends and conditions. The inflation is calculated through June 30, 1992, using the methodology referenced in Appendix III to ATTACHMENT 4.19-D. Historical weights identified in Appendix C to the KMG Main Hurdman study are used to arrive at a composite inflation factor. Current inflation indices are used based on the mid-point of the cost reporting year and the mid-point of FY 1992. The following methodology is used to establish the new rates:

- 1) The most recent facility cost profiles are obtained for each free-standing nursing facility.
- 2) Costs are audited and adjusted by an independent CPA firm.
- 3) The average costs per day are calculated for each cost center for each nursing facility.
- 4) The costs are adjusted for low occupancy, using factors of 60% fixed costs and 40% variable costs.
- 5) The costs per day are inflated through June 30, 1992.
- 6) The costs per day are arrayed for each cost center.
- 7) The median costs (50th percentile) for "general and administration," "plant and maintenance," "laundry," "housekeeping," and "recreation" are used to set the statewide flat rate. The per diem costs for "dietary" are included in the rate at the 60th percentile. The per diem cost for "nursing" is included in the rate at the 70th percentile. (These percentiles apply to the periods FY 1991 and FY 1992 only. See Section 1620 for FY 1993 percentiles.)
- 8) Property is inflated from the FY 1981 rates. Six dollars per patient day is included in the FY 1992 base rates. A property differential in the FY 1991 facility rate above the \$6.00 may be added to the base rate. The differential is added only when the inflated property in the FY 1981 base rate plus the FY 1981 property differential exceeds \$6.00 and is also supported by current costs. Current costs are those costs included in the FCPs used to compile the data base for rebasing the flat rate.

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1620 Rebasing Rates -- For the period July 1, 1992 through June 30, 1993, payment rates for nursing homes are increased by \$5.51 per patient day based on Section 1800. As a result, there is a need to up-date the percentiles used to support the nursing home rate. The percentiles included in Section 1610 are adjusted upward to reflect increased emphasis on nursing and related costs. The following adjustments to section 1610 apply:

COST CENTER	FY 1992 PERCENTILE	FY 1993 PERCENTILE	PER DIEM INCREASE
General & Admin.	50th	55th	\$.26
Plant & Maintenance	50th	55th	.18
Laundry	50th	55th	.06
Housekeeping	50th	55th	.08
Recreation	50th	55th	.03
Dietary	60th	70th	.19
Nursing	70th	80th	4.67
Other			.04
Total			\$5.51

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1700 ICF/MR RATE ADJUSTMENT

1710 INTRODUCTION

The purpose of this section is to define the rate increase for ICF/MR patients. For the period beginning July 1, 1996, rates are increased by a uniform percentage of 3.0% over FY 1996. The increase is added to the FY 1996 rate for each individual facility. This percentage is based on 2.3 % for inflation and 0.7% for additional adjustments for professional staff involved in the day-to-day care of patients. The 2.3% percentage is based on the inflation adjustment calculated using the methodology described in the KMG Main Hurdman Study of the Utah Nursing Home Inflation Index. The state institution for the mentally retarded is not affected by this change because it is reimbursed actual costs under Section 1190 of the plan.

1720 QUALIFICATION

All community ICF/MR facilities qualify for the 3.0% rate increase.

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1800 ENHANCED PAYMENT RATES FOR NURSING FACILITY PATIENTS

1800 Payment Rates -- Effective July 1, 1992, the payment rates for nursing facilities are increased by \$5.51 per day for enhanced services (see Section 1600). A second increase is provided for NF-3 level patients. This increase is calculated by multiplying the FY 1992 base rate by 1.041. The base rate is defined as the flat rate paid to all participating nursing facilities for an NF-3 level patient.

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1900 SPECIALIZED REHABILITATION -- MENTALLY RETARDED (NF CLIENTS)

1910 Payments -- A payment rate differential is paid to nursing facilities with mentally retarded clients who need specialized rehabilitative services that are either not covered by the daily payment rate or not available from other providers covered by the State Medicaid Plan. The specialized rehabilitation services must be approved by the Medicaid Patient Assessment Unit. Approval must be obtained before the additional services qualify for the rate differential. The specialized rehabilitation rate differentials are established through negotiations between Division of Health Care Financing and individual nursing facilities. The negotiated rate is based on the estimated direct costs of providing the service. The rate is patient specific for the additional services provided by the Nursing facility. The rate is an average per diem rate for a one month period to coincide with the monthly "payroll" for each nursing home. For example, if the expected cost is \$20 per day for 23 days in December, the rate will be averaged over 31 days at \$14.84 per day for the qualifying patient. The rate differential is prospective for a full month. At the end of each month, the rate will remain the same or be renegotiated at the request of either the State or the provider. To obtain a new rate or the continuation of the existing rate differential, the provider must provide actual cost experience. The cost experience is limited to "direct cost". These direct costs are wages, benefits, and special supplies. Indirect costs are included in the existing basic flat rate. The amount paid will be subtracted from the nursing cost center when future rates are set to avoid duplicate payments.

1/10/94

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